

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval to Modify) Case No. 10-241-GA-RDR
Rider FBS and Rider EFBS.)

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy of Ohio, Inc. ("Duke") is a natural gas company within the meaning of Section 4905.03(A)(6), Revised Code, and a public utility as defined by Section 4905.02, Revised Code. As such, Duke is subject to the jurisdiction of the Commission.
- (2) On February 26, 2010, Duke filed an application pursuant to Section 4909.18, Revised Code, to modify the rates for its Rider FBS, Firm Balancing Service (Rider FBS), and Rider EFBS, Enhanced Firm Balancing Service (Rider EFBS).
- (3) According to the application, Duke has been providing firm balancing service since November 1, 1997. Suppliers and aggregators choosing firm balancing service are required to deliver their Target Supply Quantity (TSQ) of natural gas on a daily basis. Since the TSQ is based on forecasted weather, the actual usage will be different than the TSQ. The difference is either withdrawn or injected into storage. Rider FBS is designed to recover the estimated portion of those costs associated with daily balancing from suppliers and aggregators. Since gas cost recovery (GCR) customers pay for this storage, the amount collected through the rider is credited to the GCR. Duke's current rate for Rider FBS became effective April 1, 2007.

The Rider FBS rate is based on a formula that estimates the cost of providing daily balancing service. As of April 1, 2010, the demand charge that Duke pays to Columbia Gas Transmission (TCO) for transportation into and out of storage increased from \$3.963 per dekatherm (Dth) to \$4.2372 per Dth. In addition, the amount of total throughput, used as the denominator in the calculation of the rate, has decreased nearly 10 percent. All of the remaining inputs to the calculation were also updated to reflect current charges from TCO for storage service. As a result

of these changes, Duke is proposing to increase the Rider FBS rate from \$0.155 per thousand cubic feet (Mcf) to \$0.176 per Mcf.

- (4) According to the application, Duke's current Rider EFBS became effective June 4, 2008. Under Rider EFBS, suppliers and aggregators can deliver more or less natural gas than the TSQ, at their discretion. At the end of the gas day, actual weather data is used to calculate a Backcast Supply Quantity (BSQ), which is compared to the amount that the supplier or aggregator actually delivered. The difference will increase or decrease the amount of natural gas held in a "bank" for the supplier or aggregator. Rider EFBS places limits on how much a bank can increase or decrease on a daily and monthly basis. Since this closely imitates storage, suppliers and aggregators choosing Rider EFBS pay the full value of Duke's equivalent storage costs rather than an estimate of the portion used only for daily balancing. All revenues received from Rider EFBS are credited to the GCR. As with Rider FBS, the increase in the TCO demand charge and the decline in sales volumes were reflected in the proposed Rider EFBS rate. The result is an increase in the Rider EFBS demand charge from \$5.94 to \$6.13 per month for each Dth of the suppliers maximum daily delivery quantity (MDDQ), and an increase in the commodity charge from \$0.015 to \$0.018 per Mcf.
- (5) On March 8, 2010, Interstate Gas Supply, Inc. (IGS) filed a motion to intervene in this proceeding. IGS states that it is a certified competitive natural gas supplier in Duke's service territory and, as such, it will be directly impacted by in increase in Riders FBS and EFBS. IGS did not state its specific position on the increase.
- (6) On May 5, 2010, the Commission issued an entry granting the motion to intervene by IGS. The entry also established May 26, 2010, as the deadline for interested parties to file motions to intervene and comments on Duke's application. In addition, Duke was directed to serve a copy of the entry on all suppliers and aggregators currently taking service under the FBS and EFBS tariffs.
- (7) On May 14, 2010 the office of the Ohio Consumers' Counsel (OCC) filed a motion to intervene in this proceeding citing the

potential impact of the rider increases on those residential customers who take service from competitive retail natural gas suppliers. No one filed a memoranda contra the motion to intervene filed by OCC. The Commission finds that OCC's motion to intervene is reasonable and should be granted.

- (8) On May 26, 2010, OCC filed comments on Duke's application. In its comments, OCC does not take a position on the proposed increases in Riders FBS and EFBS. Instead, OCC requests that the Commission require Duke to make an annual filing in which Rider FBS and Rider EFBS would be updated to reflect any changes in the cost of providing those services. In the alternative, OCC asks the Commission to establish parameters that would trigger a mandatory filing.
- (9) Upon consideration of OCC's comments, the Commission finds that, at this time, we do not believe it is necessary to require Duke to make annual filings to update the riders. However, we will require that Duke make such a filing whenever the costs of providing the FBS and EFBS services changes due to changes in the underlying TCO storage charges.
- (10) The Commission has reviewed the application and the filed comments and finds that Duke's proposed increases to Rider FBS and Rider EFBS are reasonable and in the public interest. As an initial matter, the Commission is aware that the increases are based on increases to the underlying storage costs charged to Duke by TCO, which provides Duke the ability to offer the FBS and EFBS services; therefore, we believe it appropriate to pass those costs on to the parties receiving the benefit of those services. In addition, we note that no party has filed in opposition to the increase. Since all revenues from the Riders FBS and EFBS are flowed through to GCR customers who initially fund the storage services provided through TCO, we find that the increase is a pass-through of costs. Accordingly, we find that the application does not constitute an increase in rates, is not unjust or unreasonable, and should be approved.

It is, therefore,

ORDERED, That OCC's motion to intervene be granted. It is, further,

ORDERED, That Duke comply with the Commission's directive in finding (9).
It is, further,

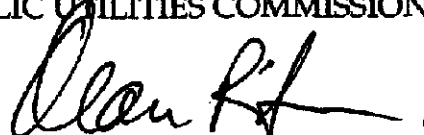
ORDERED, That Duke's application to revise its Rider FBS and Rider EFBS rates be approved as discussed herein. It is, further,

ORDERED, That DEO is authorized to file four complete copies of tariffs in final form consistent with this finding and order. DEO shall file one copy in this case docket and one copy in its TRF docket (or may make such filing electronically as directed in Case No. 06-900-AU-WVR). The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That nothing in this finding and order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,


ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella


Valerie A. Lemmie

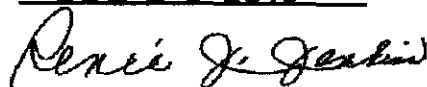

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Entered in the Journal

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Renee J. Jenkins
Secretary